New World Development 2021/2022 Interim Results

Segment Results From Property Investment Strongly Up 26% Dividend Maintained at HK$0.56 Per Share

(25 February 2022, Hong Kong) New World Development Company Limited ("NWD" or the "Company", Hong Kong stock code: 0017) today announced the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2021 ("the period under review").

Consolidated Highlights:

- The Group recorded consolidated revenues of HK$35,572.8 million, basically the same as 1HFY2021. Underlying profit was HK$3,898.2 million and profit attributable to shareholders of the Company was HK$1,430.4 million, up by 4.8% and 41.2% respectively
- The Group's attributable contracted sales in Hong Kong amounted to about HK$3.88 billion
- The Group's overall contracted sales in Mainland China amounted to about RMB9.34 billion
- Tremendous 86.6% growth in segment results of Mainland China property development with improvement in segment margin from 30% in 1HFY2021 to 66% in 1HFY2022
- Robust 25.8 % YOY growth in segment results of property investment following an increasing recurring rental income from K11 MUSEA and the Grade A office building K11 ATELIER King's Road in Quarry Bay, and an improvement in operational efficiency
- Continuous stringent cost control efforts as evidenced by an approximately 5.0% YOY decrease in recurring administrative and other operating expenses
- Non-core asset disposal amounted to approximately HK$3.81 billion in 1HFY2022
- Total capital resources amounted to approximately HK$103.2 billion, including cash and bank balances of approximately HK$52.4 billion and undrawn facilities from banks of approximately HK$50.8 billion
- Overall financing cost decreased from 2.93% in 1HFY2021 to 2.52% in 1HFY2022
- All refinancing of borrowings due in FY2022 has been taken care of
- FY2022 interim dividend: HK$0.56 per share, the same as FY2021 interim, maintains the prevailing sustainable and progressive dividend policy

Strategy: Focus on The GBA and YRD Region, Achieve Sustainable Growth with the Development of Investment Properties

- Core businesses include property development, property investment, roads, aviation, construction and insurance, with a major focus on the Greater Bay Area and the Yangtze River Delta Region
- As K11 projects gradually complete across Greater China, the increasing recurring rental income provides stable growth momentum for our business
- The Group adheres to its strategic vision of "Improving Integration and Connectivity in the Greater Bay Area, Continually Refining the Yangtze River Delta Region and Proactively Developing Key First-Tier Cities Nationwide". By actively tapping into its experience and expertise, the Group continues to promote city-industry integration and social innovation
- Active in exploring the "Quick Win" strategy to achieve swift land acquisition, construction and bookings, faster capital

returns and higher operational efficiency

- The Group will continue to improve operation efficiency. Through disposal of non-core assets, we will allocate resources in a more efficiently way to core business and optimise assets and business portfolio
- The Group will continue with its prevailing sustainable and progressive dividend policy
- Equity raising is not necessary for the Company in the foreseeable future

Property Development: Improved Gross Profit Margin Strongly Drove Segment Results Up

Hong Kong – 70% attributable GFA of The Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan were sold

- Overall gross margin of Hong Kong's property development was 71%
- Attributable contracted sales in Hong Kong amounted to about HK$3.88 billion
- As at 31 December 2021, among the unrecognised attributable income from contracted sales of properties in Hong Kong, HK$6,013 million would be booked in 2HFY2022 and HK$24,809 million would be booked in FY2023
- The Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan, was the first major project launched by the Group following the abolition of the Double Stamp Duty on non-residential property transactions announced by the government. As at 31 December 2021, 67% of the attributable GFA of the project were sold, contributing HK$5.50 billion to the attributable contracted sales
- The Group will successively solicit sales for its remaining units in the Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan and the residential project MOUNT PAVILIA. A number of major projects are also scheduled for launch in phases, including the office project with a total GFA of roughly 360,000 sq ft in Wing Hong Street, West Kowloon (a non-traditional commercial district), the residential project at Kai Tak Runway Area 4B Site 4 in East Kowloon with a total GFA of around 575,000 sq ft, and The Southside Package V atop Wong Chuk Hang MTR Station with a total GFA of 636,000 sq ft.

Mainland China - Improving Integration and Connectivity in the Greater Bay Area, many of its quality projects yielded outstanding results, frequent successes in project acquisitions

- Segment results of property development in Mainland China increased 87% YOY, overall gross margin was 66%
- Total contracted sales area of properties in Mainland China amounted to approximately 245,000 sq m for the period under review, with total sales proceeds of RMB9.34 billion. Breaking down the geographical distribution of contracted sales proceeds, the Southern Region, led by the Greater Bay Area, was the largest contributor, accounting for over 87%
- The average price of overall contracted sales exceeded RMB38,000 per sq m
- Contributions were mainly generated from the projects in the Greater Bay Area, such as Qianhai CTF Financial Tower, Guangzhou Covent Garden New World Canton Bay, Shenzhen Prince Bay BAYHOUSE and Guangzhou Foshan Canton First Estate
- As of 31 December 2021, the Group's unrecognised gross income from contracted sales of properties in Mainland China amounted to approximately RMB8.77 billion, of which RMB3.43 billion and RMB5.34 billion will be booked in FY2022 and FY2023 respectively
- During the period under review, the Group's total GFA of projects completed in Mainland China (excluding carparks) was approximately 310,000 sq m, a large portion of which is located in the Greater Bay Area and the North-eastern Region. The total GFA of completion (excluding carparks) is expected to reach approximately 1,103,000 sq m in FY2022
- During the period under review, by virtue of its strategy of steady development and deep -rooted presence in the Greater

Bay Area, the Group managed to acquire 3 projects in the Greater Bay Area. It was also active in exploring the "Quick Win" strategy to achieve swift land acquisition, construction and bookings, faster capital returns and higher operational efficiency

- During the period under review, online contract signing was completed for the South Tower of Qianhai CTF Financial Tower, the Group's project in the Shenzhen Qianhai Free Trade Zone. Upon construction completion, the entire building will be sold to a Fortune Global 500 financial institution. The South Tower of the project has a total GFA of over 49,000 sq m, with a total sales price of more than RMB3.2 billion. Upon completion, the project is set to upgrade the commercial amenities in the region, optimise and upgrade the business environment of Qianhai, and support the growth of Qianhai's economy and the development of the financial industry in Shenzhen
- The Group is about to launch its key project, Wangjiang New Town in Shangcheng District of Hangzhou. Situated in downtown Hangzhou and serving as the centre for economic and cultural activities for the city, Wangjiang New Town is the core new development of Shangcheng District. Boasting renowned landscape and scenery, regional advantages and a high potential development area, the project is set to promote the comprehensive development of Hangzhou, from society and economy to business opportunities. As the first project to commenced construction after the pandemic, the project reflects the Group's superb execution capability and high efficiency

<u>Property Investment: K11 Projects Leading to Increased Recurring Rental Income</u>

<u>Hong Kong – K11 MUSEA took the initiative to expand market share amid challenging market conditions</u>

- Revenue from the property investment segment in Hong Kong increased by 4.0% and segment results increased by 33.6%, mainly due to the increasing recurring rental income from K11 MUSEA and the Grade A office building K11 ATELIER King's Road in Quarry Bay, and an improvement in operational efficiency
- Through its continuous launch of creative marketing and festival activities, K11 MUSEA recorded a year-on-year increase of 21% in sales, whilst its total footfall amounted to around 12 million with a year-on-year increase of 21%. We will enhance K11 MUSEA as the first destination for talent cultivation and culture dissemination, by introducing pop-up stores to increase footfall and further optimise our brand portfolio
- K11 Art Mall added over 30 new brands which mainly targeted "Gen Z" consumption experience and introduced pop-up stores of several well-received animations which set foot in Hong Kong for the first time, so as to fulfil the demand for freshness by "Gen Z". The overall average occupancy rate of K11 Art Mall remained at around 100%, with sales and footfall up by 28% and 33% year on year respectively. In December 2021, its footfall reached a historic new high, with the sales eclipsing the pre-pandemic level. In FY2022, nearly 50 new stores and pop-up stores will commence operation at K11 Art Mall in various periods.
- Aside from addressing regular office demand, the Group has strategically introduced reputable service providers such as medical beauty centres and clinics to set up their business in the Group's office buildings. Meanwhile, the Group has also developed new office hubs in non-traditional core commercial districts such as Island East and Tsim Sha Tsui, to accommodate tenants exiting traditional commercial districts. Occupancy rate climbed further for the Grade A office building K11 ATELIER King's Road in Quarry Bay, and remained at a relatively high level of roughly 80% for K11 ATELIER in Victoria Dockside, Tsim Sha Tsui.
- Situated in Hong Kong International Airport, the three K11 ATELIER Grade A office towers of "11 SKIES" project will take the lead in commencing operation in July 2022 and have entered the pre-leasing stage; the Group strives to

draw such Greater Bay firms that focus on wealth management and healthcare services, with the objective of reaching a 65% occupancy rate by mid-2022.

Mainland China - K11 projects continue to commence operation in major cities in the Greater Bay Area and the Yangtze River Delta, further consolidating its diversified businesses in the Greater Bay Area and the Yangtze River Delta

- During the period under review, the Group's revenues of property investment in Mainland China amounted to HK$1,020.6 million, representing a 16.7% YOY increase due to stable occupancy rates of major projects in its investment property portfolio
- Benefitting from strong sales growth in Mainland China, the Group leveraged its unique brand positioning of K11 to deliver stellar sales performance for its K11 Art Malls owned or managed by the Group in Mainland China
- Hosted at the Guangzhou K11, the global premiere of Hajime Sorayama "Future Land" attracted a record-breaking 31,000-plus visitors and generated an exhibition revenue of nearly RMB15 million in 3 months, as well as over RMB22 million of related consumption by visitors, demonstrating cultural retail as a robust growth engine
- Wuhan K11 Art Mall I commenced operation last year, representing full operation of the Wuhan Hankou K11 project. With artistic elements as the key driver, it serves as an engine that drives urban fashion trends
- In July 2021, construction commenced formally for the second Shanghai K11 project at the land parcel of Huaihai Middle Road. With its prime location in the Huaihai Middle Road, the core business district, the project has recruited creative talents from top design teams worldwide. They will uphold the core philosophy of "Art · People · Nature" of K11 and combine it with the unique charm of the century-old Huaihai Road. These efforts will integrate art and business and embody the essence of K11 "Cultural Retail" to construct a new cultural landmark that deepens Shanghai's cultural exchange the with international arts, and promotes the cultural soft power of Shanghai
- By FY2026, K11 is expected to attain a footprint of 38 projects with a total GFA of 2.8 million sq m in ten major cities across Greater China. With gradual completions and openings of K11 projects across China in the pipeline, as well as the completed transformation and upgrades of projects, the Group's recurring rental income will continue to grow, and will serve as an essential growth driver for the Group

Land Bank: Use of multiple channels and resources to fuel continued expansion

Hong Kong – Expedited farmland conversion to unlock their value

- As at 31 December 2021, the Group had a landbank with a total attributable GFA of approximately 9.77 million sq ft in Hong Kong available for immediate development, of which approximately 4.88 million sq ft was for property development use
- The Group had an agricultural landbank with a total attributable land area of approximately 16.27 million sq ft pending land use conversion in New Territories, approximately 90% of which was located within the "Northern Metropolis"
- In line with the government's Northern Metropolis development plan, the Group expedited farmland conversions to unlock their value. During the period under review, the Group applied to the Town Planning Board for developing three plots of agricultural land in Yuen Long, namely Ngau Tam Mei, Wing Kei Tsuen and Lin Barn Tsuen, into large-scale residential projects. The Group has a total attributable GFA of approximately 3.56 million sq ft in the three

projects, which are expected to provide nearly 8,000 residential units

- In January 2022, the Town Planning Board approved the rezoning application for the Sai Kung Sha Ha project held by the Group's consortium. With the project to be used to develop strata residential units, the Group has a total attributable GFA of approximately 720,000 sq ft that provides 966 units. The Group will submit application for deed amendment as soon as possible
- To alleviate the local housing problems, in September 2021, the Group founded the social housing enterprise New World Build for Good, which proposed Hong Kong's first Subsidised Private Housing Model, with new homes that will be sold at 50% to 60% of the market rate. New World Build for Good is now in discussion with the relevant government departments, banks and regulators with regard to the proposal, and will announce its details in due course.
- We have announced in 2019 that we would donate its farmland reserves to non-profit organisations and/or the Hong Kong SAR government for social housing projects such as transitional homes, with an aim to improve the living conditions of the underprivileged. Since then, a total of four projects have reached their pre-planning stage that will provide an estimate of over 2,000 units. Among these, projects in Fan Kam Road and Ngau Tam Mei have received the approval from the Town Planning Board, and have begun their ensuing construction work

Mainland China - Integration and Connectivity in the Greater Bay Area, Continually Refining the Yangtze River Delta Region and Proactively Developing Key First-Tier Cities Nationwide

- As of 31 December 2021, the Group had a landbank (excluding carparks) with a total GFA of approximately 5.51 million sq m available for immediate development in Mainland China, of which approximately 3,126,000 sq m was zoned for residential use
- Core property development projects located in Guangzhou, Shenzhen, Foshan, Wuhan, Shanghai, Ningbo, Hangzhou, Beijing and Shenyang as well as other cities. 54% of the core project landbank (excluding carparks) is located in the Greater Bay Area
- During the period under review, the Group managed to acquire three Greater Bay Area projects, including the Shenzhen Longgang District project, the Guangqiao Food Factory project in Guangming District of Shenzhen, and the Guangdong No.2 People's Hospital Redevelopment Project in Haizhu District of Guangzhou. Whilst continuing to replenish its landbank, the Group is actively engaged in upgrading industries and urban development across the Greater Bay Area
- Leveraging its solid development and strategy of strengthening its presence in the Mainland, the Group has expanded its landbank through tender auctions, co-development, and merger and acquisitions as well as other channels to provide adequate resources for the sustainable development of New World Group

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Founded in 1970, **New World Development Company Limited** ("The Group", Hong Kong stock code: 0017) was publicly listed in Hong Kong in 1972 and is a constituent stock of the Hong Kong Hang Seng Index. A premium brand infused with a unique personality best defined by The Artisanal Movement, New World Group's core business areas include property development, property investment, road, aviation, construction and insurance. Its operations in Greater China, especially the Greater Bay Area, had a total asset value of approximately HK$639.7 billion as at 31 December 2021. The Group has an effective interest of approximately 61% in NWS Holdings Limited (Hong Kong stock code: 0659) and approximately 75% in New World Department Store China Limited (Hong Kong stock code: 0825) and wholly owns New World China Land Limited.

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